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## NATIONAL INTELLIGENCE ESTIMATE NUMBER 61-60

### THE OUTLOOK FOR BURMA

*Submitted by the*  
**DIRECTOR OF CENTRAL INTELLIGENCE**

*The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.*

*Concurred in by the*  
**UNITED STATES INTELLIGENCE BOARD**

*on 12 April 1960. Concurring were the Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations for Intelligence, Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, The Joint Staff; the Assistant to the Secretary of Defense, Special Operations; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.*

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38

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## THE OUTLOOK FOR BURMA

### THE PROBLEM

To estimate probable developments in Burma over the next two years.

### CONCLUSIONS

1. The major determinant in Burmese politics over the next two years will be the relationship between the government and the army, i.e., between U Nu and Ne Win. Although tension will probably develop as the result of army criticism of the performance of U Nu and his government, the chances are better than even that U Nu will continue to head the government during this period. (*Paras. 18-19*)

2. We believe that the army would take over again if its leadership became convinced that the unity and integrity of the military were threatened by government actions, if widespread corruption and inefficiency in government returned,

or if there were a serious increase in Communist influence. However, U Nu will probably seek to avoid actions which might provoke an army move, and there will probably be some change for the better in Nu's leadership of the government. (*Paras. 19-22*)

3. Given U Nu's persistent distrust of US motives, US-Burmese relations will probably be less cordial than in the recent past. U Nu will probably accept closer ties with the Sino-Soviet Bloc and will probably be less firm in resisting Bloc pressures than Ne Win. However, Burma will continue its neutralist policy, seeking to balance its relations with East and West. (*Paras. 26-28*)

### DISCUSSION

#### I. INTRODUCTION

4. During the past two years Burma has undergone a unique experience. The army under General Ne Win executed a bloodless coup, then, after 18 months of rule, held free elections and voluntarily relinquished control to the winner, U Nu, the man it had displaced. This sequence of events not only provides the background against which U Nu and civilian authority again have taken over, but also

sheds light upon probable future developments.

#### II. PRESENT SITUATION

##### A. The 1958 Coup

5. In early 1958, the loose political coalition known as the Anti-Fascist People's Freedom League (AFPFL) that had governed Burma from the first days of independence was finally

SECRET

SECRET

2

split by longstanding personal differences among its leaders. Two factions emerged. Prime Minister U Nu headed the smaller, known as the "Clean" faction; U Ba Swe and U Kyaw Nyein assumed leadership of the "Stable" faction, and with it most of the organizational assets of the AFPFL. Neither faction had a majority in parliament. To maintain his government in power, U Nu had to accept the support of the Communist-led National United Front (NUF). U Nu's increasing accommodation with the local Communists, the growing corruption and inefficiency of his government, and reports of impending government action against certain army officers including Ne Win who were believed to favor the Stable faction, led the army to oust U Nu. In October 1958, Ne Win became Prime Minister with the approval of all parliamentary factions except the NUF. U Nu and Ne Win both characterized the transfer of power as an interim measure and Ne Win's government as a "caretaker" government.

#### B. The Ne Win Government

6. Ne Win relied chiefly upon military officers and civil servants to carry out a vigorous program of housecleaning and reform. His government clamped down hard on corrupt practices, brought charges against many political figures for profiteering, and attempted to impose higher standards of probity and efficiency in Burma's public service. The army arrested many of the aboveground Communists, imposed restrictions on the NUF, and stepped up its campaign against insurgent groups.

7. Through vigorous and often arbitrary action the army-led regime achieved some notable results. It imposed strict price controls and limitations on profit margins which forced the consumer price index down significantly. Benefitting from an increase in rice output in 1958-1959, it expanded Burma's exports and improved the foreign exchange position. It rehabilitated Rangoon and other major cities, and improved internal security to the point where insurgency no longer seriously interfered with normal economic activity in most of Burma. On the other hand

the Ne Win government exhibited little comprehension of underlying economic forces and gave little attention to long-term planning.

8. In late 1959, General Ne Win decided that the time had come to hold general elections and turn the government back to civilian authority. Although many of its military advisers wished to prolong military rule in order to consolidate reforms and, in some cases, to increase or perpetuate their political power, Ne Win insisted that the elections be held and ordered the army to avoid intimidation or favoritism.

9. He almost certainly was concerned by mounting evidence that army rule, despite its accomplishments and relative honesty and efficiency, was widely unpopular. He probably was anxious to get the army out of the political and economic limelight lest it become corrupt and so unpopular as to lose its integrity as a military force and its usefulness as a political force. Moreover, Ne Win himself, as a professional soldier, has no personal political ambition or taste for the demands of high political office. His prestige in Burma is high.

#### C. The 1960 Elections

10. *Outcome.* U Nu's faction won 166 of the 250 seats in the Chamber of Deputies. The Stable faction won only 42 seats and most of its leaders, including U Ba Swe and U Kyaw Nyein, were defeated. The Communist-led NUF, which had polled 40 percent of the popular vote and won 44 seats in the 1956 elections, succeeded in winning only one seat. Various independents and ethnic minority parties won 28 seats; 13 seats remain to be filled.

11. *Significance.* The elections gave the voters their first chance to choose between two non-Communist political parties and their respective leaders. In previous elections rival factional leaders all ran under the umbrella of the AFPFL and capitalized on the personal attraction of U Nu and the reputation of the AFPFL as a revolutionary movement. Although the Stable faction suffered from its identification with the army, the overwhelming victory of the Clean faction, now known

SECRET

SECRET

3

as the Union Party (Pyidaungsu), was due principally to U Nu's singular hold on the Burmese people and demonstrated that U Nu has no serious rival as a political leader.

12. As a result of its severe losses, the Stable faction is demoralized and largely discredited. In its present state, it has little potential either as a national party or as a parliamentary opposition. The Communist-led NUF was virtually eliminated as a political force in parliament. It would appear that past NUF successes at the polls, when it was the only important party in opposition to the AFPFL, were largely the result of protest votes and that when offered the choice of non-Communist parties, the voters turned away from the Communists. The measures taken by the Ne Win government during its incumbency to undercut Communist strength also help explain the poor showing of the NUF.

13. U Nu, with complete control of parliament, will not need to seek the cooperation of the Communists or the Stable faction, provided he can maintain discipline within his own loosely knit party. However, his domination of the political scene exposes him and his party to full responsibility for future government performance. The eclipse of the other political parties leaves the army as the only force capable of influencing or opposing the U Nu administration.

#### D. Internal Security

14. The Burmese armed forces<sup>1</sup> have been involved in field operations against various rebel and insurgent groups almost continuously since independence in 1948. At present, the security situation is better than at any time in the recent past. Nevertheless, a number of troublesome and potentially dangerous insurgent groups continue to concern the govern-

<sup>1</sup>The ground forces number about 110,000. The major component is the 85,000-man army. The quasimilitary Union Constabulary, which augments the army in internal security operations, has a strength of about 25,000 men. The air force has about 3,100 personnel and 100 aircraft, including 7 jets. The navy has a personnel strength of 3,200 and a ship strength of 27 craft. It operates primarily as a river patrol force.

ment. These include three separate Communist groups totaling 2,000 to 3,500 men, about 3,000 armed dissidents in the Karen National Defense Organization, about 1,000 armed Shans, and approximately 3,500 Nationalist Chinese irregulars in the northeast border area. Burma's present internal security problems result in large part from dissident activities of tribal minorities, principally among the Shans, Karens, Kachins, and Chins, who comprise about 20 percent of the population and resent the economic and political dominance of the Burmans.

#### E. The Economic Situation

15. Burma's economy has improved, little by little, from the destruction and dislocation resulting from World War II and the subsequent period of civil insurrection. Rice production and exports, the foundation of the economy, have followed a generally upward trend. Insurgency no longer seriously hampers economic activity in most parts of the country. Gross national product is no higher than the prewar level and population has increased 20 percent. Nevertheless, the economic situation is not a source of serious popular discontent.

16. Burma has depended upon loans, grants, and reparations to help meet its economic reconstruction and development needs and its chronic balance of payments problem.<sup>2</sup> The Soviet economic effort in Burma, based on

<sup>2</sup>A breakdown of foreign economic credits, grants, and reparations received by Burma follows:

	Committed	Balance Unused 31 Dec 1959
IMF Loan .....	\$ 15,000,000	\$ .....
IBRD Loan .....	19,400,000	6,700,000
US Loans .....	52,300,000 <sup>a</sup>	42,600,000 <sup>a</sup>
US Grants .....	56,600,000 <sup>b</sup>	37,000,000 <sup>b</sup>
Indian Loan .....	42,000,000	8,000,000 (est.)
USSR Credits .....	12,500,000	1,100,000
Subtotal .....	\$197,800,000	\$95,400,000 (est.)
Japanese Repara- tions (Grant, 1955-1965) .....	200,000,000	104,200,000 (est.)
TOTAL .....	\$397,800,000	\$199,600,000 (est.)

<sup>a</sup> Includes \$17,300,000 in local currency.

<sup>b</sup> Includes \$6,000,000 in local currency.

SECRET

SECRET

4

arrangements beginning in 1955 to barter rice for industrial and textile products and on a number of Soviet "gift" projects, was unsatisfactory to both parties and, at Burma's request, is now terminated or being phased out. Since 1956, US aid to Burma has included two PL 480 sales programs totaling over \$40 million, a \$25 million loan for economic development made in 1957, and a \$10 million line of credit extended in 1958 for assistance to Burma's police force. In 1959, an agreement was signed providing for grant aid totaling \$37 million over a four-year period to construct a highway from Rangoon to Mandalay and a group of buildings at Rangoon University. In addition, the US is providing Burma a substantial volume of military equipment and services at a very large discount.

### III. THE OUTLOOK

#### A. Political

17. U Nu's ideas, motivations, and political characteristics probably have not changed significantly. He remains basically neutralist, anticolonial, and socialist oriented. His success in the elections has probably increased his egotism and his penchant for independent action. He probably will still be reluctant to maintain discipline over his cabinet and political colleagues.

18. However, the political environment in which U Nu operates has changed. The major determinant in Burmese politics over the next two years will be the relationship between the government and the army, i.e., between U Nu and Ne Win. The army is withdrawing from civil government positions. However, it will monitor closely the performance of U Nu's administration. This, plus the fact that the army did take over in 1958, will probably cause U Nu to seek to avoid actions which would provoke the army. On the other hand, the size of U Nu's personal mandate will probably cause the army to adopt, at least initially, an attitude of caution and conciliation toward U Nu. Ne Win will almost certainly be able to restrain any precipitate political action by anti-Nu officers.

19. We believe the chances are better than even that U Nu will head the government throughout the next two years. However, a tendency toward stress and strain in the army-government relationship will probably develop as the impact of Nu's election victory lessens and the army begins to find ground to criticize government actions. If U Nu heeds army complaints and suggestions, as we believe likely, a mutually satisfactory working relationship for the longer run may evolve. Under the stimulus of army surveillance, we believe that he will be less indifferent than in the past toward administrative responsibilities of office and toward corruption and inefficiency in his official family. However, despite his appointment of a good cabinet by Burmese standards, his efforts will be handicapped by Burma's shortage of experienced and honest administrators, especially at middle and lower echelons. He may turn to the army for help in this regard.

20. There are three situations in which the army would be likely to take over again. The first of these would arise if the army leadership became convinced that the unity and integrity of the military were threatened by actions of the Nu government. U Nu probably appreciates the extent to which projected actions against the army leadership by his Defense and Home ministers in 1958 prompted the military response that culminated in the takeover. We believe that he will not allow this to develop again at least as long as General Ne Win retains his present national prestige.

21. A second situation would be the return of the widespread corruption and inefficiency that characterized previous AFPFL governments. We believe, however, that before intervening in such a situation, the army would make its displeasure known and give the government the opportunity to take corrective action.

22. A third situation in which an army takeover might occur would be a serious increase in Communist influence on the government. However, given the resounding defeat of the NUF at the polls, we believe this is unlikely.

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SECRET

5

**B. Economic Outlook**

23. Burma's economic prospects over the next two years are generally favorable. The economy will probably continue to grow at a modest pace, reflecting in large part the increased production and export of rice. More than 70 percent of the recent bumper rice crop has been sold and prospects are good for selling the remainder. Burma's program for improving the quality of its export rice will enable Burma at least to sustain and perhaps to increase the level of its rice exports.

24. Burma's economic development will continue to depend on foreign assistance. Although U Nu probably does not intend to reject the US grant of \$37 million negotiated by the Ne Win government, he probably feels that the Ne Win government impaired Burma's neutralist position by accepting grant aid from the US and will seek an opportunity to re-establish the equilibrium. U Nu will probably accept foreign aid—as loans, not grants—from any quarter if it promises to help reduce Burma's excessive dependence on the export of rice and does not appear to have political strings attached.

**C. Internal Security**

25. The Burmese Communist insurgent groups will probably not become a major problem. Insurgent activities by dissident groups from among ethnic minorities, principally the Shans and Karens, will continue to be troublesome. However, these activities are not likely to cause serious disruption of the Burmese economy and, provided army and police pressure is maintained, the prospect is for continued improvement in Burma's internal security.

**D. Foreign Policy**

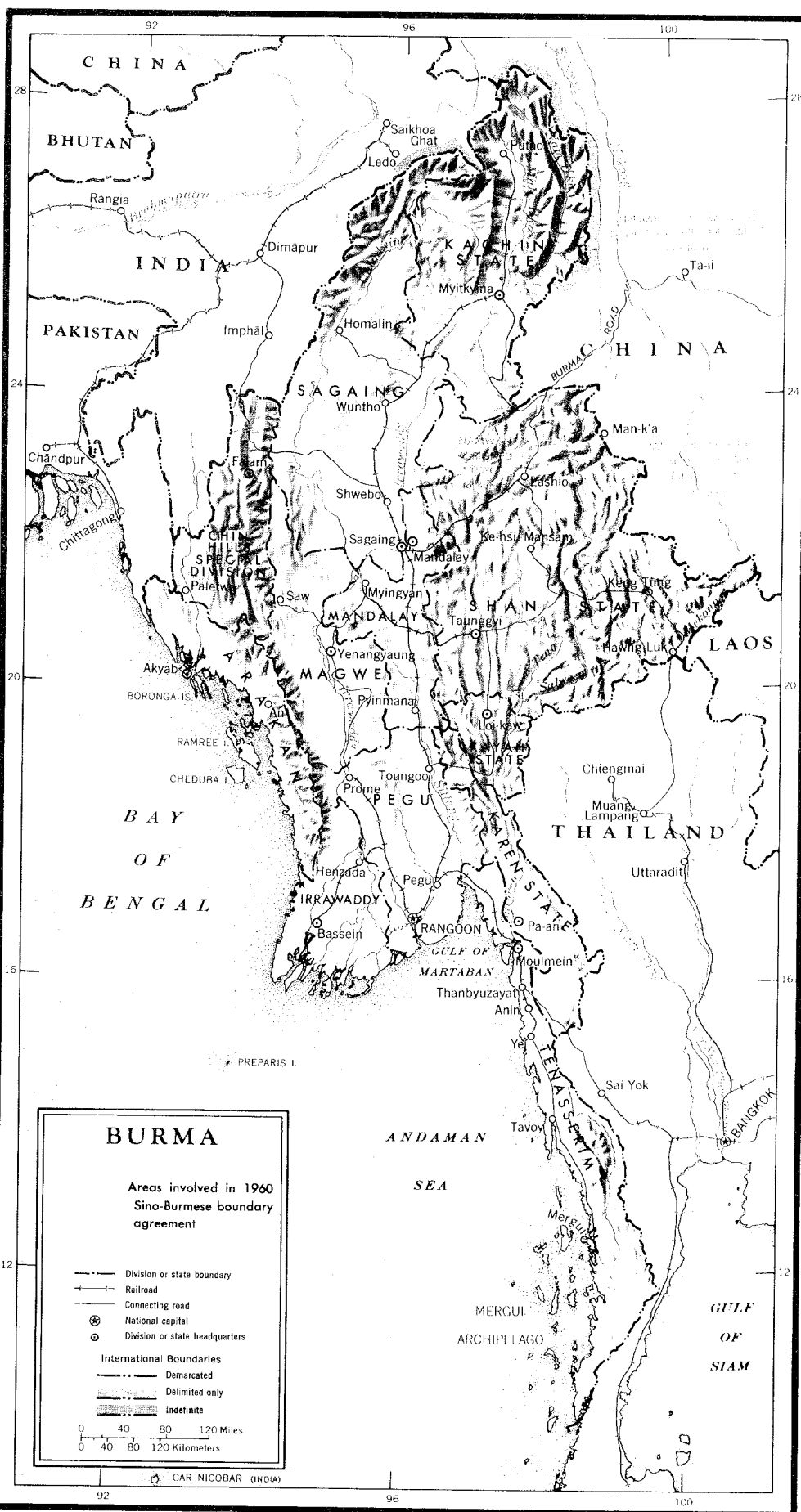
26. At times, Burma's stand on various international issues has been anti-West, if not

actually pro-Bloc. At other times, most recently under Ne Win, Burma has shown more sympathy with Western aims and objectives. Nevertheless, Burma's attachment to an essentially neutralist role in world affairs has been constant. Although the new government under U Nu will probably accept closer ties with the Sino-Soviet Bloc than Ne Win's did, it will be careful to maintain its neutral balance.

27. Although frictions over implementation of the border agreement may arise, Burma's relations with Communist China are generally good and will improve if U Nu has his way. Burma's relations with the USSR will probably improve from the low point reached in 1959. No great changes in Burma's relations with her non-Communist Asian neighbors are foreseen over the next two years. Sharing a common border with Laos, Burma will be concerned over developments there, but will be rigidly neutral toward them. Burma will seek Thailand's assistance in preventing arms deliveries to the KMT irregulars and Shan dissidents, but will continue to refuse membership in regional defense arrangements such as SEATO. In the United Nations, Burma will continue to support Communist China's bid for membership and will back the general Afro-Asian position on colonial issues.

28. Given U Nu's persistent distrust of US motives, US-Burmese relations will probably be less cordial than in the recent past. Construction delays or financing difficulties with the Rangoon-Mandalay highway could create major problems in US-Burmese relations. However, we believe that Burma's need for economic development assistance from the US and its desire to maintain its neutral position will continue to provide a basis for mutual cooperation.

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